

Company Number 10423075

Five AI Limited

**Annual report and financial statements
for the year ended 31 December 2022**



Five AI Limited

Officers and Professional Advisors

Directors: S Boland (resigned 31 August 2023)
B Peters (resigned 17 April 2023)
J Redford
L Brown

Registered office Kett House
Station Road
Cambridge
CB1 2JH

Registered office until 24 April 2023: Suite G4
Bristol and Exeter House
Lower Approach Road
Bristol
BS1 6QS
United Kingdom

Attorneys until 27 June 2022: Gunderson Dettmer Stough Villeneuve Franklin &
Hachigian, LLP
One Marina Park Drive
Suite 900
Boston, MA 02210

Auditor: Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

Five AI Limited Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2022, with comparatives for the year ended 31 December 2021.

PRINCIPAL ACTIVITY

The principal activity of Five AI Limited ("the Company") during the year was the design and development of software and systems for autonomous vehicles.

RESULTS AND DIVIDENDS

On 27 June 2022, 100% of the share capital of the Company's parent company, Five AI Inc., was acquired under a merger agreement by Robert Bosch LLC, a wholly-owned subsidiary of Robert Bosch GmbH. Following the acquisition, the Company provided internal R&D services to Robert Bosch GmbH under a cost-plus arrangement, generating revenue during the year of £14,609,523 (2021: £272,361).

During 2022 the Company was focused on post-merger integration and continued improving the maturity of the Company's core product, a development and assurance platform for autonomous vehicle developers, resulting in an increase in underlying operating costs. However, for the post-acquisition period all direct personnel, travel and third-party costs associated with the delivery of services have been allocated to cost of sales (2022: £9,691,317, 2021: £0), resulting in a decrease in other operating expenses (2022: £12,691,978, 2021: £16,592,063) despite the overall increase in spend. Administrative expenses increased to £1,091,182 (2021: £697,045) as the Company continued to invest in protecting its intellectual property. A research and development tax credit made under the SME scheme in relation to non-grant funded R&D of £3,685,443 (2021: £3,353,735) was recognised in income tax.

The Company made a loss for the year of £5,120,510, (2021 loss of: £13,707,089) and had net assets at 31 December 2022 of £3,967,340 (2021: £3,437,702 in net liabilities). The losses were financed by intercompany funding received from its parent company, Five AI Inc, before the merger, and following the acquisition, by an intercompany loan of £14,000,000 from Robert Bosch GmbH. In December 2022, the Company allotted and issued one additional fully paid-up ordinary share with a nominal value of £1 to its parent company, Five AI Inc. for consideration of £11,500,000. This transaction had the effect of increasing the Company share capital by £1 to £3 and increasing the share premium reserve to £31,499,998 (2021: £19,999,999).

No dividends have been paid or declared in the current or prior year.

GOING CONCERN

The Company made a loss in the year but was in a net assets position at the year end. Prior to the acquisition by Robert Bosch GmbH in June 2022 the losses were financed by intercompany funding received from its parent company Five AI Inc., which at the time was itself financed by venture capital investment. After Five AI Inc. was acquired by Robert Bosch LLC both entities in the Five AI Group became part of the Robert Bosch Group. Following completion of the deal, the company has been invoicing and receiving payment for internal R&D services to Robert Bosch GmbH under a cost-plus arrangement.

The Company is therefore reliant upon the support of its ultimate parent company, Robert Bosch GmbH and has received a letter from Robert Bosch GmbH confirming it will provide the financial support necessary for the Company to meet its financial obligations as they fall due for a period of no less than 12 months from the date of approval of these financial statements up to an amount of £20 million. The directors have assessed the ability of Robert Bosch GmbH to provide such support based on its latest available financial position and financial performance and no concerns were identified.

Detailed business and cash flow forecasts have been prepared for the Company which include assumptions on invoicing and payment under the cost-plus arrangement pending finalization of the underlying agreement, the rate of headcount growth, the level of third-party expenditure required and the availability of financial support from Robert Bosch GmbH. These forecasts show that the company will be able to settle its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Thus, the Directors have considered it appropriate to adopt the going concern basis of preparation in these financial statements.

Five AI Limited

Directors' Report (continued)

DIRECTORS

The directors who served during the year and subsequently, unless otherwise stated, were as follows:

S Boland (resigned 31 August 2023)
B Peters (resigned 17 April 2023)
J Redford
L Brown

INDICATION OF FUTURE EVENTS

As the Company moved to an internal supply arrangement following its acquisition in mid-2022, there will be a significant increase in revenues in the coming financial year and the Company will transition from a loss-making to a profitable position. The degree of revenue growth will depend on the underlying cost base, in particular the Company's R&D expenditure, which is expected to increase as the Group ramps up testing of its autonomous vehicle technology within our cloud-based assurance and development platform.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies are given in note 21 of these financial statements.

DIRECTORS' INDEMNITIES

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

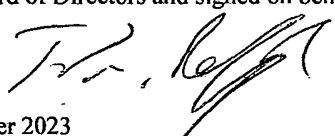
- so far as the director is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board

John Redford

Director, 20 September 2023



Five AI Limited

Directors' Responsibilities Statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Five AI Limited

Independent Auditor's Report to the Members of Five AI Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Five AI Limited (the 'company'):

- Give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard

Independent Auditor's Report to the Members of Five AI Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent Auditor's Report to the Members of Five AI Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

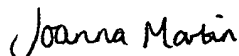
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Joanna Martin (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

20 September 2023

Five AI Limited
Statement of Comprehensive Income
For the year ended 31 December 2022

	Note	Year ended 2022 £	Year ended 2021 £
Revenue	2	14,609,523	272,361
Cost of Sales		(9,691,317)	-
Gross profit		4,918,206	272,361
Administrative expenses		(1,091,182)	(697,045)
Other operating expenses		(12,691,978)	(16,592,063)
Operating loss	3	(8,864,954)	(17,016,747)
Finance income	5	-	12,443
Finance costs	6	(271,819)	(56,520)
Loss before tax		(9,136,773)	(17,060,824)
Income tax	7	4,016,263	3,353,735
Loss for the financial year attributable to the owners of the Company		(5,120,510)	(13,707,089)

All results relate to continuing operations.

There were no other items of comprehensive income or expense for the current or prior year other than the loss for the year.

The accompanying notes on pages 13 to 31 are an integral part of these financial statements.

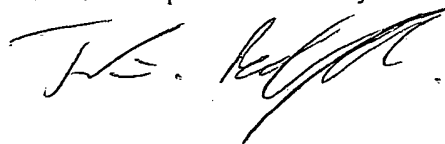
Five AI Limited
Balance Sheet
As at 31 December 2022

	Note	2022 £	2021 £
Non-current assets			
Property, plant and equipment	8	249,217	618,818
Investments	9	30,000	30,000
Deferred tax asset	10	330,820	-
		<u>610,037</u>	<u>648,818</u>
Current assets			
Trade and other receivables	11	20,769,397	364,059
Cash and cash equivalents	12	11,342,904	693,766
		<u>32,112,301</u>	<u>1,057,825</u>
Total assets		<u>32,722,338</u>	<u>1,706,643</u>
Current liabilities			
Trade and other payables	13	(22,368,310)	(4,673,502)
Lease liabilities	14	(116,168)	(348,772)
		<u>(22,484,478)</u>	<u>(5,022,274)</u>
Net current assets / (liabilities)		<u>10,237,860</u>	<u>(3,964,449)</u>
Non-current liabilities			
Trade and other payables	13	(6,270,520)	-
Lease liabilities	14	-	(122,071)
		<u>(6,270,520)</u>	<u>(122,071)</u>
Total liabilities		<u>(28,754,998)</u>	<u>(5,144,345)</u>
Net assets / (liabilities)		<u>3,967,340</u>	<u>(3,437,702)</u>
Equity			
Share capital	15	3	2
Share premium	16	31,499,998	19,999,999
Capital contribution	17	24,088,230	23,062,678
Retained earnings	18	(51,620,891)	(46,500,381)
		<u>3,967,340</u>	<u>(3,437,702)</u>
Surplus/(Deficit) attributable to owners of the Company		<u>3,967,340</u>	<u>(3,437,702)</u>

The accompanying notes on pages 13 to 31 are an integral part of these financial statements.

The financial statements of Five AI Limited (registered number 10423075) were approved by the board of directors and authorised for issue on 20 September 2023. They were signed on its behalf by:

John Redford
Director



Five AI Limited
Statement of Changes in Equity
For the year ended 31 December 2022

	Note	Share capital £	Share premium £	Capital contribution £	Retained earnings £	Total £
Balance at 1 January 2021		1	-	21,894,005	(32,793,292)	(10,899,286)
Loss for the year, being total comprehensive expense		-	-	-	(13,707,089)	(13,707,089)
Issue of common shares		1	19,999,999	-	-	20,000,000
Share based payment expense	20	-	-	1,168,673	-	1,168,673
Balance at 1 January 2022		2	19,999,999	23,062,678	(46,500,381)	(3,437,702)
Loss for the year, being total comprehensive expense		-	-	-	(5,120,510)	(5,120,510)
Issue of common shares	15	1	11,499,999	-	-	11,500,000
Share based payment expense	20	-	-	1,025,552	-	1,025,552
Balance at 31 December 2022		3	31,499,998	24,088,230	(51,620,891)	3,967,340

The accompanying notes on pages 13 to 31 are an integral part of these financial statements.

Five AI Limited
Cash Flow Statement
For the year ended 31 December 2022

	Note	Year ended 2022 £	Year ended 2021 £
Net cash used in operating activities	19	<u>(10,554,082)</u>	<u>(11,736,042)</u>
Investing activities			
Interest received	5	-	12,443
Purchases of property, plant and equipment	8	(92,853)	(84,609)
Proceeds on disposal of property, plant and equipment		1,341	83
Net cash used in investing activities		<u>(91,512)</u>	<u>(72,083)</u>
Financing activities			
Intercompany loan financing/(repayment)	13	10,181,882	(16,011,003)
Proceeds on share issues	15	11,500,000	20,000,000
Repayments of obligations under leases		(387,150)	(367,310)
Net cash from financing activities		<u>21,294,732</u>	<u>3,621,687</u>
Net increase/(decrease) in cash and cash equivalents		10,649,138	(8,186,438)
Cash and cash equivalents at beginning of year		<u>693,766</u>	<u>8,880,204</u>
Cash and cash equivalents at end of year	12	<u><u>11,342,904</u></u>	<u><u>693,766</u></u>

The accompanying notes on pages 13 to 31 are an integral part of these financial statements.

Five AI Limited

Notes to the Financial Statements

For the year ended 31 December 2022

1. Significant accounting policies

Basis of accounting

Five AI Limited ("the Company") is incorporated in the United Kingdom and is a private company limited by shares under the Companies Act 2006 and registered in England and Wales. The address of the registered office and principal place of business is given on page 2. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 3.

The financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below.

The financial statements are presented in pounds sterling as that is the currency of the primary economic environment in which the Company operates.

Going concern

The Company made a loss in the year but was in a net assets position at the year end. Prior to the acquisition by Robert Bosch GmbH in June 2022 the losses were financed by intercompany funding received from its parent company Five AI Inc., which at the time was itself financed by venture capital investment. After Five AI Inc. was acquired by Robert Bosch LLC both entities in the Five AI Group became part of the Robert Bosch Group. Following completion of the deal, the company has been invoicing and receiving payment for internal R&D services to Robert Bosch GmbH under a cost-plus arrangement.

The Company is therefore reliant upon the support of its ultimate parent company, Robert Bosch GmbH and has received a letter from Robert Bosch GmbH confirming it will provide the financial support necessary for the Company to meet its financial obligations as they fall due for a period of no less than 12 months from the date of approval of these financial statements up to an amount of £20 million. The directors have assessed the ability of Robert Bosch GmbH to provide such support based on its latest available financial position and financial performance and no concerns were identified.

Detailed business and cash flow forecasts have been prepared for the Company which include assumptions on invoicing and payment under the cost-plus arrangement pending finalization of the underlying agreement, the rate of headcount growth, the level of third-party expenditure required and the availability of financial support from Robert Bosch GmbH. These forecasts show that the company will be able to settle its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Thus, the Directors have considered it appropriate to adopt the going concern basis of preparation in these financial statements.

Revenue recognition

The company recognises revenue from the following major sources

- Consultancy services (pre-acquisition)
- Research and development services (post-acquisition)

The company provided consultancy services for customers prior to the acquisition. The transaction price is derived from fixed prices and is measured based on the consideration to which the Company expects to be entitled and is stated net of discounts and value added tax. The Company assesses whether services transfer to the customer at a point in time or over time to determine when satisfaction of performance obligations occurs. Revenue is recognised when the relevant performance obligations have been met.

When the transaction price is received in advance of the performance obligation being completed, the amount is recognised as a contract liability. When performance obligations are completed in advance of an invoice being raised, the amount is recognised as a contract asset.

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

1. Significant accounting policies (continued)

Revenue recognition (continued)

Following its acquisition, the Company provides research and development services to its ultimate parent company, Robert Bosch GmbH. Revenue is recognised for these services in line with costs incurred by the company on a cost-plus markup basis. The directors have assessed that the performance obligations are met on a monthly basis, and payment is not due from the customer until the monthly services are complete, therefore a contract asset is recognised over the period in which the research and development services are performed representing the company's right to consideration for services performed to date.

Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Cost of Sales

Cost of sales represents the personnel and travel costs of engineers involved in the supply of internal R&D services in the post-acquisition period plus associated third-party engineering costs

Classification of operating expenses

Administrative expenses represent underlying business overheads such as legal and professional fees, whereas other operating expenses predominantly relate to research and development costs.

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

R&D tax credits are recognised in the year to which they relate where there is sufficient certainty, based on payment history, that the claim will be settled in full.

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

1. Significant accounting policies (continued)

Taxation (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions..

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

1. Significant accounting policies (continued)

Leases (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the Property, plant and equipment line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the other operating expenses line item.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

1. Significant accounting policies (continued)

Share-based payments

The Company issues equity-settled share-based payments to certain employees and advisors. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 20.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The underlying shares are issued in the parent company, Five AI Inc, therefore, the share-based payment expense for Five AI Limited is taken to the statement of comprehensive income with a corresponding capital contribution in equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Computer equipment	2 years
Motor vehicles	2 years
Fixtures and fittings	2-5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Investments

Investments are stated at costs less provisions for impairment.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

1. Significant accounting policies (continued)

Financial instruments (continued)

(i) Financial assets and liabilities

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of being held to collect contractual cash flows on specified dates of payments of principal and interest are subsequently measured at amortised cost using the effective interest method.

Other debt instruments not meeting the conditions set out above are measured at fair value through profit or loss 'FVTPL'.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The Company does not hold any financial liabilities at FVTPL.

The effective interest method is a method of calculating the amortised cost of a debt instrument or financial liability and of allocating interest income or interest expense, respectively, over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or financial liability, or (where appropriate) a shorter period, to the gross carrying amount of the debt instrument on initial recognition or the amortised cost of a financial liability.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on debtors measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including the time value of money where appropriate.

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

1. Significant accounting policies (continued)

Impairment of financial assets (continued)

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities which are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Critical accounting judgements

Management has judged it appropriate not to capitalise internally generated research and development due to uncertainty over whether it will generate future economic benefits, given the significant amounts still to be invested in the target application i.e. the development of autonomous vehicle technology, before that technology can be commercially exploited.

Management has also judged it appropriate not to recognise a deferred tax asset in relation to carried forward losses, due to uncertainty surrounding their availability for offset. See note 7 for further details.

Similarly, management has recognized R&D credit claims made under the SME scheme in the year to which they relate rather than deferring until the year of receipt, having established a pattern of payment under this scheme. However, management has judged it appropriate not to recognise assets for approximately £1.5m of R&D tax credits relating to the 2022 financial year which will need to be made under a different scheme (RDEC) following the acquisition, having no such pattern of payment.

Key sources of estimation uncertainty

In determining the fair value of share-based payments, using the Black-Scholes model, management have made a critical estimate in determining the weighted average share price at grant for common shares in light of there being no observable market inputs in the period. The estimate has been based on the market transaction of the issue of preferred shares in the most recent funding round of the parent company, Five AI Inc., discounting for the rights attached to preference shares over and above the rights attached to common shares, and the eventual price paid per common share following the acquisition of the parent company by Robert Bosch LLC. This resulted in a share price at grant of \$3.01 (2021: \$2.69).

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

1. Significant accounting policies (continued)

International financial reporting standards in issue but not yet effective

At the date of authorisation of these financial statements, the IASB has issued standards, interpretations and amendments which are applicable to the Company. Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of these financial statements, the following may have an impact going forward:

IFRS 17	Insurance contracts
Amendments to IFRS 10	Sale or contribution of Assets between and investor and its associate or Joint Venture
Amendments to IAS 1	Classification of liabilities as current or non-current
Amendments to IAS 12	Deferred tax related to Assets and Liabilities arising from a single transaction
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

The directors anticipate that the adoption of these standards and interpretations in future periods will not have a material impact on the financial statements of the Company.

International financial reporting standards mandatorily effective in the current period

During the year the following become mandatorily effective but had no impact on the Company:

Amendments to IFRS 3	Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – proceeds before intended us
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract

2. Revenue

	Year ended 2022 £	Year ended 2021 £
Revenue from contracts with customers	583,131	242,361
Revenue from cost plus arrangement	14,026,392	-
Other revenue	-	30,000
	<u>14,609,523</u>	<u>272,361</u>

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

3. Operating loss

Operating loss has been arrived at after charging/(crediting):

	Year ended 2022 £	Year ended 2021 £
Net foreign exchange losses	4,660	19,693
Research and development costs	3,065,323	2,071,380
Depreciation of property, plant and equipment	127,981	124,879
Depreciation of right-of-use assets	327,216	304,410
Loss on disposal	5,916	1,105
Staff costs (see note 4)	17,674,768	12,987,273
Operating lease rentals		
Plant and machinery	2,700	3,240
Property	149,602	62,997
Auditor's remuneration		
For the audit of the financial statements	40,000	32,000
For tax compliance services	2,750	2,750

4. Staff costs

The average monthly number of employees (including executive directors) was:

	2022 Number	2021 Number
Management and marketing	15	16
Research and development	119	113
Total	134	129

Their aggregate remuneration comprised:

	Year ended 2022 £	Year ended 2021 £
Wages and salaries	13,416,846	9,794,413
Social security costs	1,731,062	1,255,609
Pension costs	1,501,308	768,578
Share based payment expense	1,025,552	1,168,673
	17,674,768	12,987,273

The Company operated a defined benefit contribution pension scheme. The pension cost charged by the Company for the year represents contributions payable by the Company to the scheme and amounted to £1,501,308 (2021: £768,578). At the year end, contributions amounting to £502,092 (2021: £111,952) were payable to the scheme and are included in the taxes and social security creditor in the financial statements.

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

5. Finance income

	Year ended 2022 £	Year ended 2021 £
Interest income on bank deposits	-	12,443

6. Finance costs

	Year ended 2022 £	Year ended 2021 £
Interest on lease liabilities	32,475	56,520
Interest on inter-company loan	239,344	-
	<u>271,819</u>	<u>56,520</u>

7. Income tax

	Year ended 2022 £	Year ended 2021 £
Corporation tax:		
Current year	-	-
Adjustment in respect of prior years	(3,685,443)	(3,353,735)
Total current tax	<u>(3,685,443)</u>	<u>(3,353,735)</u>
Deferred tax:		
Current year	(251,424)	-
Adjustment in respect of prior years	(79,396)	-
Total deferred tax	<u>(330,820)</u>	<u>-</u>
Total tax credit for the year	<u>(4,016,263)</u>	<u>(3,353,735)</u>

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

7. Income tax (continued)

Corporation tax is calculated at 19.00% (2021:19.00%) of the estimated taxable profit for the year.

The credit for the year can be reconciled to the loss in the statement of comprehensive income as follows:

	Year ended 2022 £	Year ended 2021 £
Loss before tax	(9,136,773)	(17,060,824)
Tax at the UK corporation tax rate of 19.00 % (2021: 19.00%)	(1,735,987)	(3,241,557)
Effects of:		
Adjustments in respect of prior years	(3,685,443)	(3,353,735)
Expenses not deductible in determining taxable profit	4,258	226,310
Super-deduction	(6,040)	(3,863)
Employee share acquisition relief	(4,362,724)	-
Tax rate changes	(79,396)	-
Change in unrecognised deferred tax assets	5,849,069	3,019,110
Tax credit for the year	(4,016,263)	(3,353,735)

It was announced on 3 March 2021 that the main rate of Corporation Tax will increase from 19% to 25% from 1 April 2023 for profits over £250,000 and remain at 19% for profits below £50,000. Marginal relief provisions will also be introduced so that, where a company's profits fall between £50,000 and £250,000, the company will be able to claim an amount of marginal relief that bridges the gap between the lower and upper limits. The impact of the future changes in the tax rate are not expected to have a material impact.

The new legislation was substantively enacted on 24 May 2021 and was fully enacted on 10 June 2021. The closing deferred tax assets and liabilities have therefore been calculated at the substantively enacted rate of 25% expected to apply to the unwinding of the balances at the balance sheet date.

At the balance sheet date, the Company had a recognized deferred tax asset of £330,820 (2021: nil) and an unrecognised deferred tax asset of £13,189,450 (2021: £8,188,031) arising from pre-acquisition gross tax losses of £51,624,917 (2021: £31,427,427). The deferred tax asset relating to pre-acquisition losses has not been recognised as it is not considered probable that there will be taxable profits available in the foreseeable future against which it could be utilised. There are no expiry dates in relation to these losses.

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

8. Property, plant and equipment

	Motor vehicles £	Computer equipment £	Fixtures and fittings £	Right-of-use assets £	Total £
Cost					
At 1 January 2021	215,603	695,598	278,777	1,082,102	2,272,080
Additions	-	78,949	5,660	234,800	319,409
Disposals	-	(2,681)	(2,160)	(185,818)	(190,659)
At 31 December 2021	215,603	771,866	282,277	1,131,084	2,400,830
Additions	-	92,853	-	-	92,853
Disposals	-	(2,572)	(11,724)	(133,479)	(147,775)
At 31 December 2022	215,603	862,147	270,553	997,605	2,345,908
Accumulated depreciation					
At 1 January 2021	(215,603)	(639,632)	(117,592)	(569,367)	(1,542,194)
Charge for the year	-	(68,485)	(56,394)	(304,410)	(429,289)
Disposals	-	2,681	972	185,818	189,471
At 31 December 2021	(215,603)	(705,436)	(173,014)	(687,959)	(1,782,012)
Charge for the year	-	(71,544)	(56,437)	(327,216)	(455,197)
Disposals	-	1,712	5,328	133,479	140,519
At 31 December 2022	(215,603)	(775,268)	(224,123)	(881,696)	(2,096,690)
Carrying amount					
At 31 December 2022	-	86,879	46,430	115,909	249,218
At 31 December 2021	-	66,430	109,263	443,125	618,818

Right-of-use assets

The Company has several property leases. The average lease term is 4.7 years (2021: 4.1 years).

	2022 £	2021 £
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	327,216	304,410
Interest expense on lease liabilities	32,475	56,520
Expense relating to short-term leases	149,602	62,997
Expense relating to leases of low value assets	2,700	3,240

At 31 December 2022, the Company is committed to £42,191 for short-term leases (2021: £77,638) all due within one year, representing certain office premises.

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

9. Investments

	2022 £	2021 £
Shares in unlisted investments	30,000	30,000

During the year ended 31 December 2021 an investment was made in Megaset Limited at a cost of £30,000 in return for a 25.1% ownership interest and equivalent voting rights. Accordingly, Megaset Limited is not under the control, or significant influence of Five AI Limited and is not treated as a subsidiary or associate. The registered office of Megaset Limited is 71-75 Shelton Street, Covent Garden, London, WC2H 9JQ. Its place of incorporation and principal place of business is the United Kingdom. Its principal activity is the development of synthetic datasets.

The investment is stated at cost. No provision for impairment has been considered necessary.

10. Deferred tax asset

	2022 £	2021 £
Deferred tax asset	330,820	-

11. Trade and other receivables

	2022 £	2021 £
Trade receivables	-	21,600
Contract assets	-	3,000
VAT receivable	97,750	46,550
Prepayments	296,714	226,603
Other debtors	173,415	66,306
Amounts owed from parent undertakings	4,964,483	-
Retention bonus	11,551,592	-
Tax receivable	3,685,443	-
	<u>20,769,397</u>	<u>364,059</u>

The directors consider that the carrying values of trade and other receivables are approximate to their fair value. Amounts owed from parent undertakings are not financing and are repayable in line with standard credit terms. Other receivables include £10.6M in relation to retention bonus payments that will be released to the income statement in line with services delivered by the recipients and £3.7M in relation to the R&D tax credit claim for the year ended 31 December 2021.

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

12. Cash and cash equivalents

	2022 £	2021 £
Cash and bank balances	11,342,904	693,766

Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the balance sheet position as shown. There were no cash equivalents at 31 December 2022 (2021: £0).

13. Trade and other payables

	2022 £	2021 £
Amounts falling due within one year		
Trade payables	394,914	224,964
Accruals	324,409	497,677
Employee retention provision	5,965,221	-
Taxes and social security	1,433,119	496,580
Amounts due to parent undertakings	14,250,647	3,404,281
Contract liabilities	-	50,000
	<u>22,368,310</u>	<u>4,673,502</u>
Amounts falling due after one year		
Employee retention provision	6,270,520	-
	<u>6,270,520</u>	<u>-</u>
	<u><u>28,638,830</u></u>	<u><u>4,673,502</u></u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 29 days (2021: 24 days). The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Included within amounts due to parent undertakings is an unsecured, interest-bearing loan, which has an annual interest rate of 3.373%, from Robert Bosch GmbH for £14,000,000 (2021: £0) with repayment terms of 12 months, due in June 2023. Following the year end, the loan was extended for an additional six months at an annual interest rate of 6.33% and is now due for repayment in December 2023.

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

14. Lease liabilities

	2022 £	2021 £
Maturity analysis:		
Year 1	120,702	387,150
Year 2	-	126,604
Year 3	-	-
Less: unearned interest	(4,534)	(42,911)
	<u>116,168</u>	<u>470,843</u>
Analysed as:		
Non-current	-	122,071
Current	116,168	348,772
	<u>116,168</u>	<u>470,843</u>

The directors consider that the carrying amount of lease liabilities approximates to their fair value.

15. Share capital

	2022 £	2021 £
Allotted, called-up and fully paid: 3 (2021: 2) ordinary shares of £1 each	<u>3</u>	<u>2</u>

The Company has one class of ordinary shares which carries no right to fixed income. On 13 December 2022 the Company allotted and issued one additional fully paid-up ordinary share with a nominal value of £1 to its parent company, Five AI Inc. for consideration of £11,500,000 resulting in a share premium arising of £11,499,999.

16. Share premium

	£
Balance at 1 January 2021	-
Premium arising on issue of ordinary share	<u>19,999,999</u>
Balance at 31 December 2021	19,999,999
Premium arising on issue of ordinary share	<u>11,499,999</u>
Balance at 31 December 2022	<u>31,499,998</u>

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

17. Capital contribution

	£
Balance at 1 January 2021	21,894,005
Share based payment charge	<u>1,168,673</u>
Balance at 31 December 2021	23,062,678
Share based payment charge	<u>1,025,552</u>
Balance at 31 December 2022	<u><u>24,088,230</u></u>

18. Retained earnings

	£
Balance at 1 January 2021	(32,793,292)
Loss for the year	<u>(13,707,089)</u>
Balance at 31 December 2021	(46,500,381)
Loss for the year	<u>(5,120,510)</u>
Balance at 31 December 2022	<u><u>(51,620,891)</u></u>

19. Notes to the cash flow statement

	2022 £	2021 £
Loss for the year	(5,120,510)	(13,707,089)
Adjustments for:		
Depreciation of property, plant and equipment	455,197	429,289
Loss on disposal	5,916	1,105
Share based payment expense	1,025,552	1,168,673
Tax receivable	(4,016,263)	-
Non-cash revenue	-	(30,000)
Finance cost / (income)	239,344	(12,443)
Interest on leases	32,475	56,520
Operating cash flows before movements in working capital	<u>(7,378,289)</u>	<u>(12,093,945)</u>
Increase in trade and other receivables	(16,294,755)	(40,980)
Increase in trade and other payables	<u>13,118,962</u>	<u>398,883</u>
Net cash used in operating activities	<u><u>(10,554,082)</u></u>	<u><u>(11,736,042)</u></u>

Five AI Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2022

20. Share based payments

Equity-settled share option scheme

Prior to its acquisition, the Company operated a share option scheme for purchasing shares, which was open to all employees of the Company. Share options were issued to employees of the Company by the parent company, Five AI Inc., in the shares of Five AI Inc. In accordance with IFRS 2 the Company has recognised its share of the share based payment expense, relating to that period for which it derived benefit from the services provided from the option holders. The vesting period was four years, of which 25% of the allocation vests one year from the date of grant and the remaining 75% vest in equal instalments over the following 36 months. If the options remained unexercised after a period of ten years from the date of grant, the options expired. Options were forfeited if the employee left the Company before the options vested.

During 2021 certain grants relating to unvested options were released. New grants were issued with amended terms allowing for an acceleration of vesting in the event of a change of control at the prevailing strike price. For accounting purposes, and in accordance with IFRS 2, this was treated as a modification. At the date of modification, the fair value of the new grants was lower than the fair value of the original grants and so no change was made to the fair value of the options being expensed, but the charge was accelerated over a shorter expected vesting period to the sale of the Company in June 2022. On 27 June 2022 immediately prior to the change of control, all vested options were exercised and any unvested amounts were forfeited.

Details of the share options outstanding during the year are as follows. Option prices below are shown in USD, being the currency in which shares in the parent company Five AI Inc. are denominated.

	Number of share options	Weighted average exercise price (in \$)
Outstanding at beginning of year	7,978,198	0.06
Granted during the year	23,000	0.07
Forfeited during the year	(132,397)	0.06
Exercised during the year	(7,868,801)	0.06
	<hr/>	<hr/>
Exercisable at the end of the period	-	-
	<hr/>	<hr/>

The weighted average share price at the date of exercise for share options exercised during the period was \$0.02 (2021: \$0.04). There were no options outstanding at 31 December 2022. In 2022, options were granted on 25 January, 01 March and 10 May. The aggregate of the estimated fair values of the options granted on those dates is \$61,511 (2021: \$2,530,634). The inputs into the Black-Scholes model are as follows:

	2022	2021	2020	2019
Weighted average share price	\$3.01	\$2.69	\$0.97	\$0.87
Weighted average exercise price	\$0.07	\$0.07	\$0.07	\$0.06
Expected volatility	35%	51%	49%	43%
Expected life	5 years	5 years	5 years	5 years
Risk-free rate	3.01%	0.87%	0.29%	1.41%
Expected dividend yields	0.00%	0.0%	0.0%	0.0%
	<hr/>	<hr/>	<hr/>	<hr/>

Expected volatility was based on movements in the Nasdaq-100 Technology Sector Index over the five years prior to the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Five AI Limited
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For the year ended 31 December 2022

20. Share based payments (continued)

The Company recognised total expenses of £1,025,552 (2021: £1,168,673) related to equity-settled share-based payment transactions in 2022. As the share options were in the shares of the parent company, Five AI Inc. and the parent has the obligation to settle the options, the charge has been recognised in the capital contribution reserve in the year.

21. Financial instruments

Capital risk management

Five AI Limited's ultimate parent company, Robert Bosch GmbH, manages the capital within the group to ensure that all group entities will be able to continue as going concerns. The capital structure of the group consists of equity and debt financing.

Categories of financial instruments

	2022 £	2021 £
Financial assets		
<i>Measured at amortised cost</i>		
Cash and bank balances (see note 12)	11,342,904	693,766
Loans and receivables (see note 11)	20,803,503	137,456
	<u>32,146,407</u>	<u>831,222</u>
Financial liabilities		
<i>Measured at amortised cost</i>		
Trade and other payables (see note 13)	2,152,442	1,269,221
Amounts owed to parent undertakings (see note 13)	14,250,647	3,404,281
Lease liabilities (see note 14)	116,168	470,843
	<u>16,519,257</u>	<u>5,144,345</u>

All financial liabilities have contractual maturities within less than three months of the balance sheet date in both years, with the exception of lease liabilities. The maturity of lease liabilities is presented in note 14.

Financial risk management objectives

The principal financial risks to which the Company is exposed are credit and liquidity risk.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Since 27 June 2022 the Company only makes internal sales and therefore is not exposed to credit risk from third parties. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk management

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows, comparing these to reserves and undertaking fund raising activities as required, including support from the Company's parent.

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22. Related party transactions

Directors' remuneration

The remuneration of the directors is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2022 £	2021 £
Short term employee benefits	850,292	638,054
Post-employment benefit - Company contributions to money purchase pension schemes	135,086	38,944
	<u>985,378</u>	<u>676,998</u>

In addition, a share-based payment expense of £138,559 (2021: £167,511) was recognised in relation to 149,313 (2021: 234,354) options in shares of the parent company, Five AI Inc., held by 4 directors which vested during the year.

The number of directors who:

Are members of a money purchase pension scheme	<u>2</u>	<u>2</u>
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Remuneration of the highest paid director:

	2022 £	2021 £
Short term employee benefits	276,857	188,177
	<u>276,857</u>	<u>188,177</u>

A share-based payment expense of £40,582 (2021: £44,753) was recognised in relation to 36,563 (2021: 45,000) options over shares in the parent company, Five AI Inc., held by the director which vested during the year.

23. Immediate and ultimate controlling party

The immediate and ultimate holding company and controlling party until 27 June 2022 was Five AI Inc., a company registered in the United States of America. Its registered address is 251 Little Falls Drive, Wilmington, Delaware, 19808. From 28 June 2022, the ultimate holding company and controlling party became Robert Bosch GmbH, a company registered in Germany. Its registered address is Stuttgart, Registration Court: Amtsgericht Stuttgart, HRB 14000.

For the period ended 31 December 2022, Five AI Inc. was the smallest group for which consolidated financial statements were prepared. Copies of its group financial statements are available from Kett House, Station Road, Cambridge, CB1 2JH, United Kingdom. The largest group for which consolidated financial statements were prepared for this period, incorporating Five AI Ltd's post-acquisition results, was Robert Bosch GmbH. Copies of its group financial statements are available from Robert-Bosch-Platz 1, 70839, Gerlingen-Schillerhöhe, Germany.